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SUBJECT: Chinese Authorities Ban AMCIT from Leaving China Pending  
Civil Contract/IPR Dispute

¶1. (SBU) Summary: PRC immigration authorities detained AMCIT Robert Jonathan Carr for 12 hours at the Zhongshan port of entry on October 3 and ordered him to remain in China until the resolution of a civil case brought against him by a manufacturing company in Changsha, Hunan. The Hunan company claims that Carr's company, which designs remote-controlled airplanes and unmanned aerial vehicles, is in breach of contract. Moreover, the Hunan firm is acting to block Carr from further utilizing his US patents in China. Carr's Chinese attorney plans to send letters of protest to the PRC Supreme People's Court and Hunan Supreme People's Court. Consulate General Guangzhou and Embassy Beijing, in whose consular district this court matter will unfold, have coordinated on Mr. Carr's situation. End summary

#### Background on AMCIT's Company

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¶2. (SBU) On October 4, Admin Officer, ACS Chief, and Econoff met with AMCIT Robert Jonathan Carr (DPOB: 5/29/1954, Oklahoma), Carr's attorney Luka Lu, and Carr's assistant, Suzie Li. Carr is president of IWA Toy Co., a 10-employee enterprise based in Oklahoma City, OK, that designs model UAVs (unmanned aerial vehicles). Several large retail chains have signed purchasing agreements with IWA, and the U.S. Navy and DHS have expressed interest in one of Carr's designs. IWA has manufacturing contracts with three firms in Guangdong province (two others are planned) as well as with Xicheng Co., a manufacturer in Changsha, Hunan.

#### The Business Dispute

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¶3. (SBU) IWA and Xicheng began discussions in 2004 and signed a manufacturing contract in July 2005. Carr said Xicheng was late in delivering the UAV and then produced a substandard and dangerous product. Carr also alleges that Xicheng managers lied to him about the company's prior experience and manufacturing capabilities. In July 2006, the two sides agreed by correspondence to terminate their contract. However, in June 2006, unbeknownst to IWA, Xicheng filed a civil suit with the Changsha Intermediate Court, claiming that IWA did not own the UAV patent and was in breach of contract. (Note: Carr has not registered the UAV patent in China, although he has done so in other countries, including the US.) Xicheng is currently selling the UAV under its own brand (model: Swift, website <http://www.hnxcmodel.com/eng/paomoeng.htm>).

#### Detained at Port of Entry; Passport Confiscated

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¶4. (SBU) On October 3, as Carr was clearing passport control prior to departing for Hong Kong where he planned to catch a flight to return to the United States, immigration authorities at the Zhongshan, Guangdong port of entry confiscated Carr's U.S. passport and detained him for 12 hours. The presiding judge in the case took

the unusual step of flying from Changsha to Zhongshan that day (i.e., during the Chinese national holiday week) and formally served Carr with a court order. The judge requested that Carr pay RMB 4.7 million (USD 590,000) - the amount of damages alleged in the lawsuit. Carr did not sign the order or pay the fine. Immigration authorities told Carr that he could not leave China until the case was resolved. Carr's lawyer said such an action is highly unusual, particularly in a civil case, and believes Xicheng has used its political connections to influence the court.

#### Next Steps

15. (SBU) Carr is currently residing at a hotel in Zhongshan, a city adjacent via ferry to both Shenzhen and Hong Kong. Chinese authorities continue to hold Carr's U.S. passport. Carr's attorney said they plan to send a letter of protest to the PRC Supreme People's Court and the Changsha Supreme People's Court. The attorney said PRC authorities did not follow standard procedures for serving court orders and have overstepped their legal bounds by barring Carr from leaving China.

16. (SBU) Consulate Guangzhou has coordinated with Embassy Beijing on this case and will continue to monitor developments insofar as Carr remains within our Consular district. Embassy Beijing normally follows court proceedings in Hunan province.

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